



UTILITIES ADVISORY COMMISSION MEETING MINUTES OF June 8, 2022 SPECIAL MEETING

CALL TO ORDER

Chair Segal called the meeting of the Utilities Advisory Commission (UAC) to order at 6:02 p.m.

Present: Chair Segal, Vice Chair Johnston, Commissioners Bowie, Forssell, Metz and Scharff
Absent: Commissioner Smith

AGENDA REVIEW AND REVISIONS

None.

ORAL COMMUNICATIONS

None.

APPROVAL OF THE MINUTES

Chair Segal invited comments on the May 4, 2022 UAC draft meeting minutes.

Commissioner Forssell noted pg. 3 pkt pg. 7 typo in Item 1 Commissioner Scharff elected Vice Chair Segal as Chair, it should read nominated.

Vice Chair Johnston mentioned pg. 2 pkt pg. 6 under Director's Report, 4th paragraph, 6th line, it reads produce around 245 this FY, there is no units of measure, Dave Yuan said the unit of measure is gigawatt. He continued with Pg. 7 pkt pg. 11 in the 4th paragraph, beginning with "in reply to Commission Forssell" 4th line down it reads roughly \$10 dollars it should read \$10 million. Commissioner Metz commented on pg. 2 pkt pg. 6 under Director's Report, 4th paragraph, 6th line, the unit of measure was gigawatt hours not gigawatts per hour.

Commissioner Vice Chair Johnston moved to approve the draft minutes of the May 4, 2022 meeting as amended.

Commissioner Scharff seconded the motion.

The motion carried 6-0 with Chair Segal, Vice Chair Johnston and Commissioners Bowie, Forssell, Metz, and Scharff voting yes.

Commissioner Smith absent

UNFINISHED BUSINESS

None.

UTILITIES DIRECTOR REPORT

Dave Yuan, Strategic Business Manager, delivered the Director's Report.

Water Supply Update: Snowpack and precipitation for the Hetch Hetchy system are both well below normal, however storage is in relatively good shape. As of May 8, 2022, total Regional Water System storage was 74% full (normal system storage for this time of year is 83%). On May 24, 2022 SFPUC increased its call for Regional Water Systemwide water use reductions from 10% to 11%, which will mean Palo Alto's voluntary cutback will increase to 9% or 10%. For January through May 2022, Palo Alto's water usage exceeded its budget by about 5% cumulatively.

On May 24, 2022 the State Board adopted emergency regulations that require urban water suppliers to implement Stage 2 drought actions and ban irrigation of ornamental turf with potable water in commercial, industrial, and institutional sectors, except to ensure the health of trees, or to address an immediate health and safety need. Staff plan to recommend that City Council implement Stage 2 of the Water Shortage Contingency Plan which will require restaurants to serve water to customers only upon request and require hotels and motels to provide guests with the option of not having linens laundered daily. Additionally, staff plan to recommend Council implement water use restrictions limiting potable irrigation of ornamental landscapes and lawn to two days per week except to ensure the health of trees and other perennial non-turf plantings.

Hydroelectric Update: As we've discussed previously, the 2021-2022 water year has turned out to be the third straight very dry year for California. As of May 31, precipitation totals in Northern and Central California are about 25-35% below average for this time of year (after being above average through January). Water levels at the state's largest reservoirs remain very low too – across Northern and Central California, most reservoirs are about 30-50% below their average levels for this point in time. As a result, Palo Alto's hydroelectric projections for FY 2022 and FY 2023 are now very low—they are projected to produce around 245 GWh this fiscal year, which is about 51% of the long-term average level of hydro output, and 305 GWh in FY 2023, which is 65% of the long-term average level.

Summer Electric Grid Challenges: This summer, staff expect the electric grid to be strained. In preparation for this situation, we are developing messaging to inform customers of actions they can take to help the system and themselves including pre-cooling, pre-charge EVs and batteries, and using appliances between 10am-4pm on hot days, then avoid using AC, charging cars & batteries, and major appliances from 4-9pm each day.

New Business Programs: Businesses can now take advantage of newly launched programs from CPAU offering free consultations, site assessments, and rebates for facility efficiency upgrades, including a flagship "concierge" service called the Business Energy Advisor, and equipment rebates through the Business Customer Rebates program. Find out more at cityofpaloalto.org/commercialprograms

Upcoming events: Details and registration at cityofpaloalto.org/workshops

June 15: Electrify Your Ride, 7-8pm. review available electric vehicles and e-bikes as well as charging at home and on the road, incentives, and total cost of ownership. You'll have the chance to ask the questions you've always wondered about EVs and e-bikes.

June 18: MSC Open House, 10am-2pm. Join City staff as we showcase some of the "behind the scenes" work that we do for the Palo Alto community. Watch the Utilities Line Crew Pole Climbing demonstrations every hour at 10:30 a.m., 11:30 a.m., 12:30 p.m., and 1:30 p.m. Bring your friends and family for a fun and educational day featuring displays, food, music, and other activities!

NEW BUSINESS

ITEM 1: ACTION: Adoption of a Resolution Authorizing Use of Teleconferencing for Utilities Advisory Commission Meeting During Covid-19 State of Emergency.

ACTION: Vice Chair Johnston moved Staff recommendation that the Utilities Advisory Commission (UAC) Adopt a Resolution (Attachment A) authorizing the use of teleconferencing under Government Code Section 54953(e) for meetings of the Utilities Advisory Commission (UAC) and its committees due to the Covid-19 declared state of emergency.

Seconded by Commissioner Metz

Motion carries 6-0 with Chair Segal, Vice Chair Johnston, and Commissioners Bowie, Forssell, Metz, and Scharff voting yes.

Commissioner Smith absent

ITEM 2: ACTION: Staff Recommendation That the Utilities Advisory Commission Recommend the City Council Adopt the 2022 Annual Water Shortage Assessment Report

Lisa Bilir, Resource Planner, reported the City must annually conduct a Water Supply and Demand Assessment and submit an annual Water Shortage Assessment Report to the Department of Water Resources. If the report is not submitted, the City may be disqualified from State grants and loans. The report projected the upcoming water supply and demand for Fiscal Year (FY) 2023. The demand projection shows unconstrained water demand, which is water demand without water use restrictions. The supply projection shows the water budgets provided to Palo Alto by its water supplier, San Francisco Public Utilities Commission (SFPUC). The report compares demand and supply and outlines current and proposed demand reduction actions. The exercise identified there was a 7 percent shortage gap between the unconstrained demand and the water supply and there was no water shortage gap for recycled water. To cover the gap, Staff proposed to move to Stage II water use restrictions per the State Board Emergency Regulations and Governor's EO N-10-21 as well as adopt a 2-day per week water restrictions of ornamental landscape and lawn.

In answer to Vice Chair Johnston's query regarding determining the baseline for anticipated unconstrained demand, Bilir remarked Water Shortage Assessment Report followed the procedures outlined in the 2021 Urban Water Management Plan, which was to use a demand model from the Bay Area Water Supply and Conservation Agency (BAWSCA) to forecast the numbers for FY 2023. The current recycled water supply was the same as the recycled water demand listed in the report. Vice Chair Johnston commented it would be useful to understand the City's actual water demand compared to the assumptions in the report. In answer to Vice Chair's Johnston's query regarding Staff confidence to cover the gap, Bilir noted the City had to meet the water budgets provided by the SFPUC. Staff was hopeful the new measures would bring the City into compliance with the requirements. Water demand in the City had been increased by Covid-19 and associated impacts of staying home as well as January – March 2022 being the driest in recorded history. In answer to Vice Chair Johnson's inquiry if there were penalties for not successfully meeting the report, Bilir explained if SFPUC did not see enough system-wide reduction then they would implement mandatory reductions in the Fall. Vice Chair Johnston stated many of the items listed in table five were already implemented and wondered if the measures would have an incremental impact. Bilir highlighted Palo Alto currently did not have water restrictions for watering days. Vice Chair Johnston recommended Staff explore ways to measures the success rate for the new water cutbacks.

In response to Commissioner Forssell's query regarding watering commercial non-functional turf and how Staff developed the figures in the report, Bilir remarked Staff did not have estimates for water savings from the State's commercial non-functional turf requirements. The Urban Water Management Plan gave a best estimate on how much each measure would accomplish towards the shortage gap. Commissioner Forssell believed the estimate for drinking water in restaurants was too high. Bilir stated Staff could update that

number. In response to her question as to why the recycled water supply decreased in the winter months, Bilir explained that the assumption in the table was that supply was set to equal demand because there was enough supply to meet the demand.

In reply to Commissioner Scharff's inquiry regarding less water supply in winter months and why there were more water supply in the months of June and July, Bilir explained the monthly volumes were calculated based on the City's past patterns, SFPUC provided an amount that was assigned to the City for each month based on the total annual reduction from FY 2019-2020 levels of 8 percent. Staff believed it made sense to do the report on an annual basis because the City was not seeing a water shortage in specific months throughout the year. Commissioner Scharff did not want to see restrictions placed on water usage if it was not needed. He expressed concern that folks would lose thousands of dollars of landscaping and trees if they only are allowed to water two times a week. In answer to his query regarding next steps, Bilir noted Staff would bring the plan and proposals to Council on June 20, 2022 for review and adoption and would describe the feedback from UAC Commissioners in that report.

In reply to Chair Segal's request regarding the break down of potable water for residential and commercial, Bilir answered residential was 64 percent. Chair Segal understood the report was required by the State but believed it would not have a great impact on the City in terms of mitigating drought. In respond to her inquiry regarding challenges for the next report and community outreach, Bilir believed the report was flexible and could be changed easily. She noted that community outreach was included in the water use restrictions plan being presented to the City Council on June 20, 2022. Dave Yuan, Strategic Business Manager, added the City was hiring an hourly water coordinator to help educate and advise folks who were not following the restrictions.

Council Member Cormack emphasized the water supply was based on the City's demand from the past and there was a lower demand in the winter months because folks were not irrigating.

ACTION: Vice Chair Johnston moved Staff recommendation that the Utilities Advisory Commission (UAC) recommends Council adopt the 2022 Annual Water Shortage Assessment Report.

Second by Commissioner Metz

Motion carries 6-0 with Chair Segal, Vice Chair Johnston, and Commissioners Bowie, Forssell, Metz, and Scharff voting yes.

Commissioner Smith absent

ITEM 3: DISCUSSION: Discussion and Update to the 2022 Wildfire Safety Mitigation Plan

Heather Dauler, Acting Compliance Manager, stated in the year 2020 the State began requiring a Wildfire Safety Mitigation Plan; CPAU submitted our first plan to the Wildfire Safety Advisory Board that year. The plan is required to contain 14 specific elements and pertains to potentially catastrophic line-ignited wildfires. As such, the City's plan mainly addresses wildfire in the Foothills. State law requires updates to the plans annually, but does not define what "update" means, nor does it speak about the scope of the plan. The Wildfire Safety Advisory Board reviewed the 2021 plan updates for all California electric utilities and expressed they wanted to see more than a simple update of projects. Staff included a status update for the projects identified in the plan as well as provided more details and context about each project. The additions to the plan are intended to provide more details as requested but also not to strain too far from the legal scope and direction of the law. State law also requires a comprehensive revision every 3-years. Staff will work with other departments as well as an independent evaluator to review the future comprehensive revised plan and present the final product to the UAC prior to July of 2023.

Vice Chair Johnston acknowledged that the plan contained many projects that the City will be doing and requested an update on the progress of those projects in the future.

In reply to Chair Segal's question regarding vacant positions, Dauler confirmed that even if the position was vacant, there were Staff with the expertise available to work on the plan's projects.

ACTION: None.

ITEM 4: ACTION: Staff Request for UAC Feedback on the Development of the Electric Utility's Integrated Resource Plan

Jim Stack, Senior Resource Planner, remarked that the development of the plan would take a year and a half and the City drafted a new plan every 5-years. An Integrated Resource Plan (IRP) is a long-term roadmap for meeting a utility's forecasted demand through a combination of supply-side and demand-side resources. It provides an analysis framework for identifying the most cost-effective and least-risk portfolio of resources. Key factors that are considered in IRPs are loading order, regulatory compliance, climate goals, customer preferences, cost and risk management. IRPs were required under Senate Bill (SB) 350 (2015) to ensure system and local reliability, minimize impacts to ratepayer's bills, and several others.

Lena Perkins, Senior Resource Planner, acknowledged that the Western Base Resource (WBR) contract was recently approved for renewal for the years 2025 through 2054, but the City has until June 30, 2024 to reduce its share or terminate the contract. The WBR contract supplies roughly 40 percent of the City's electricity and the annual cost is approximately \$12 million. The California-Oregon Transmission (COTP) project is a 340-mile-long project between Southern Oregon and Central California. The City's share of the COTP was 51 megawatts (MW) but due to the low utilization the City laid off its share from the year 2008 to 2023. Moving forward the City has to decide whether to renegotiate the layoff, extend the layoff, or use the project for the City's needs.

In answer to Commissioner Forssell's request what the term 'layoff' meant, Perkins explained that a layoff was reversible whereas a total sale was not.

Stack shared the objectives of the IRP project was to fully comply with SB 350, make decisions on the WBR contract as well as the COTP, and conduct community engagement. The IRP scope is quite broad but it is not intended to be an update of the Utility Strategic Plan and is not intended to be used to design new customer programs. Nor would it design new Sustainability Climate Action Plan (S/CAP) initiatives or provide serious distribution system planning. The next steps include issuing a renewable energy/storage Request for Proposals (RFP), contracting for supply portfolio modeling software, using that software to perform a portfolio optimization analysis, working with a consultant to analyze post-layoff uses for COTP, and soliciting public input on the direction of the supply portfolio. Staff will be returning to the UAC in future meetings to discuss Staff's work on the IRP.

Vice Chair Johnston looked forward to working with Staff on a new IRP. He believed it was important to understand the City's load and what the S/CAP programs will do to the projected load. In reply to Vice Chair Johnston's request for a summary of the RFP, Stack responded the RFP was seeking available options that could potentially replace the WBR if the City chose not to renew the contract. Staff planned to share the proposals and recommendations around the end of 2022 or early 2023 with the UAC. Vice Chair Johnston commented that knowing the results of the RFP would help inform the November 2022 discussion regarding the WBR and COTP contracts. He predicted it was more cost-effective for the City to license the optimization software and have staff run the models in-house instead of paying a consultant to do that for the City. Stack noted the intention was to lease the software and then run the models in-house. Vice Chair Johnston acknowledged it had always been hard to receive public input and encouraged staff to think of more creative ways to engage the public.

Gary Lindgren displayed a figure of the City's electricity demand. On one day in 2021, natural gas contributed to the demand by 56.8 percent. California needed more generating capacity to ensure that rolling blackouts do not occur. He encouraged the City to continue to use low-cost renewable electricity sources, focus on new energy sources with storage for energy uses at night hours, and discontinue the carbon offset program. Now was the time to not increase electricity demand but increase storage.

In response to Commissioner Metz's questions, Perkins explained the City may not wish to continue the WBR contract because of how the resource and the cost were changing. Council's action for S/CAP was going to have priority over the IRP and the load forecast would be used as an input in the S/CAP process. The City did not want to base its 30-year procurement commitments on programs that did not have City-wide support. COTP could transmit wind or hydro energy from the Northwest to California and such resources could be an option for the City. Stack remarked the RFP was seeking physical energy that could be delivered to California; unbundled RECs and offsets are not eligible to respond to the RFP.

Commissioner Forssell wanted to see a closer look of the effect of drought on the WBR contract. She believed any future planning should assume that drought is the new normal. In reply to her query if the \$12 million was the new cost going forward for the WBP, Perkins answered that was a historical figure. In answer to Commissioner Forssell's inquiry regarding low utilization of the COTP and how to use it after the layoff ends, Perkins noted there was low utilization generally. The City could use it as a designated resource or enter into an options construct. In reply to Commissioner Forssell's request regarding which items would be action items for the UAC, Stack believed the portfolio optimization analysis results and approval of the final IRP would be actionable items. In answer to Commissioner Forssell's query if the WBR contract decision would be included in the final IRP, Stack answered yes but the timing was flexible on that decision.

Commissioner Bowie was concerned about having the WBR contract and COTP being included in the IRP before the load forecast scenario was complete. The outcomes of the load forecast would determine the approach and value to the City of Palo Alto of those resources. Stack remarked the discussions about the WBR contract and COTP were included to provide a deeper background about those resources, not to make a final decision on them. In response to his question regarding if the IRP would consider implementation of the S/CAP, Perkins remarked the IRP was based on committed actions and what was reflected in the load forecast. In answer to Commissioner Bowie's query regarding the hydro rate adjuster, Perkins answered that part of the discussion will include evaluating the value of the resources to the market and to the City's portfolio. Stack acknowledged the City's portfolio has a heavy concentration of hydro energy and it was crucial to have a hydro rate adjuster as a result. If the City decided to reduce or discontinue the WBR contract then it would be less crucial to have the hydro rate adjuster in place.

Commissioner Forssell noted she was interested in hearing more about evaluating the merits of rebalancing the Electric Supply Portfolio to lower its seasonal and daily market price exposure.

In answer to Chair Segal's inquiry regarding the WBR contract and the City's priorities in the contract, Perkins confirmed that hydro generation was not the primary purpose of the resource overall; its primary purposes are to provide irrigation, wildlife habitat, and recreation. Stack confirmed large hydro was still not considered a renewable energy resource in the State of California. Chair Segal noted that though the contracts with WBR and COTP were long-term contracts. The City had the option every 5-years to renew or discontinue the WBR contract and could initiate a layoff anytime with the COTP.

Council Member Cormack recommended Staff hold a study session with Council and the UAC given the complexity of the IRP as well as provide information to the public at the October 2022 S/CAP community workshop.

Chair Segal mentioned the upcoming electric vehicle community event and suggestion Staff provide information about the future of energy at the event.

ACTION: None.

ITEM 5: DISCUSSION: Discussion of Advanced Metering Infrastructure Opt-Out and Electric Meter Remote Disconnect and Reconnect Policies

Dave Yuan, Strategic Business Manager, reported Staff was seeking feedback on both policies and would be returning to the UAC in August 2022 for approval of the policies. The Customer Opt-Out Policy allowed customers to opt-out of the Advanced Metering Infrastructure (AMI) program. The Utilities Department encouraged folks to participate in the AMI program and provided education on the benefits of the AMI program. If folks do not want to be in the program, they could contact customer service and put their name on the list. The department required folks who opt-out to participate in the customer reads own meter program. The program required the customer to sign a form acknowledging the fees, terms and conditions of the program. Customers must provide access to their meter once a year to allow for inspections. Customers must opt-out at the account level and the opt-out must be completed by the account holder. Customers who could not participate in the opt-out program if they had a history of equipment tampering, accounts that were not current, obstructed meters and meters located on sites that were deemed inaccessible or hazardous. Customers could opt-in to the AMI program at any time free of charge. The set up fees for the Opt-Out program included a one-time fee of \$100 and then \$25 monthly. The program also had a low-income program with a setup fee of \$50 and a monthly fee of \$10.

In answer to Commissioner Forssell's question if commercial customers could opt-out and the reason why folks opt-out, Yuan answered the program only applied to residential customers and some commercial customers were already on a smart meter system. Customers who have meters in their backyard often chose to participate in the customer reads own meter program.

Vice Chair Johnston supported the concept of having a lower set of fees for low-income folks. He understood that the fees associated with the Opt-Out Program were cost recovery and Yuan confirmed that is correct. Vice Chair Johnston believed it was very important to base the fees on cost. Pacific Gas and Electric (PG&E) had a proposal that had significantly less fees than Palo Alto's and it was important to be able to justify the fees.

In answer to Commissioner Metz's query regarding time of use implementation, Yuan remarked opt-out customers would not be eligible to participate in the time of use program because they would not have the infrastructure.

Chair Segal echoed Vice Chair Johnston's comment regarding justification of the costs and fees.

Commissioner Bowie commented that if time of use rates are implemented, the City will have to evaluate how to make sure the opt-out program does not become an incentive to avoid time of use rates. Yuan confirmed that will be explore further when Staff begins formulating time of use rates.

Yuan continued the presentation and moved to the Electric Meter Remote Disconnect and Reconnect Policy. The policy will allow Staff to remotely turn off a meter without being physically present. The pilot program will include 500 meters placed at strategic locations within the city. The City will reserve the right to disconnect an electric meter if the account has been closed for move out, an outstanding bill with no agreed upon resolution or the meter is in a hazardous condition. Once the concerns about the account have been resolved, the City will reconnect the meter within one full business day. The customer has full responsibility to ensure that all equipment and appliances are reconnected and the service is restored.

In reply to Commissioner Forssell's inquiry regarding remote disconnects and City-wide deployment of AMI, Yuan explained only 500 customers will have the remote disconnect feature. Staff wanted to test out the technology before deploying it city-wide. The program was only for the electricity utility and not gas. In reply to Commissioner Forssell's question regarding potential hazards customers are responsible for, Yuan answered leaving any appliances on while they are not in use.

Vice Chair Johnston understood the City does not have many accounts that have to be disconnected due to non-payments. If an account does become delinquent, he assumed the City provided plenty of notices and warning before the utility is turned off. Yuan confirmed that is correct and that policy of noticing would not change with the new Disconnect Policy.

In answer to Commissioner Bowie's query regarding the cost effectiveness of remote disconnect, Yuan explained it will be more cost effective than dispatching a service team to the premise. The disconnect technology will only be placed on meters where there are many move outs and ins.

Chair Segal highlighted that one of the benefits was reconnecting customers faster. If there was a concern about cyber security, she encouraged the City to test the equipment first instead of waiting for an incident to happen.

Commissioner Forssell shared she supported the proposed policies and was happy to see a program for low-income customers.

COMMISSIONER COMMENTS and REPORTS from MEETINGS/EVENTS

None.

FUTURE TOPICS FOR UPCOMING MEETINGS: June 01, 2022

Vice Chair Johnston requested an update in August or September of 2022 on the modernization of the electrical grid project.

Commissioner Metz wanted to see S/CAP, the fiber-to-the-home (FTTH) strategy and DER agenized for a future meeting.

Chair Segal requested an informational item about vacant and filled Staff positions.

In reply to Commissioner Forssell's inquiry regarding quarterly reports and the One Water Plan, Dave Yuan, Strategic Business Manager explain one was a financial report and one was a program report. Karla Dailey, Acting Assistant Director of Utilities confirmed the UAC will be reviewing the One Water Plan soon.

NEXT SCHEDULED MEETING: August 3, 2022

Commissioner Forssell moved to adjourn. Commissioner Metz seconded the motion. The motion carried 5-0 with Chair Segal, Vice Chair Johnston, and Commissioners Bowie, Forssell, and Metz voting yes.

Commissioners Scharff and Smith absent

Meeting adjourned at 8:35 p.m.

Respectfully Submitted
Tabatha Boatwright
City of Palo Alto Utilities